

TESTIMONY OF
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BEFORE THE
SENATE COMMITTEE ON GOVERNMENTAL ORGANIZATION
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Mr. Chairman and Members of the Senate Committee on Governmental Organization: Thank you for the opportunity to testify before you. My name is Matthew Bettenhausen and I am the Director of the California Office of Homeland Security (OHS).

I am pleased to have this opportunity to address the Bureau of State Audits (BSA) recently released report of California's administration of federal grants for homeland security and bioterrorism preparedness and to discuss California's overall homeland security strategy.

Let me be clear, California is not in jeopardy of losing federal homeland security funds. Every dollar of these grant funds has been obligated and will be invested to meet the goals and objectives of the state strategy. And we are on track to expend these funds on time.

The Administration and our local partners are dedicated to investing these funds quickly and wisely. We share your sense of urgency for putting these grant dollars to work. We are committed to providing our first responders and our first preventers with the best training, the best equipment; and the best information available for every kind of danger they encounter.

Our mission is too important to let bureaucracies stand in the way. For that reason, we will not tolerate underperformers. If local jurisdictions are underperforming, we will not hesitate to re-allocate their awards to neighboring public safety agencies to protect lives and property. In fact, we have all ready reallocated funds from underperformers and transferred them to fill identified gaps:

- San Diego received reallocated funds to enhance transit security
- Kern County received reallocated funds to enhance their response capabilities to hazardous materials incidents
- Sacramento received reallocated funds to enhance their prevention capabilities.

This process is a valuable component of ensuring that California remains a leader in the nation in planning for, responding to, and mitigating disasters. I am confident that you will recognize the vital role that OHS has played in helping our State to make significant achievements in areas including the administration of federal grants, information sharing, emergency management and interoperability.

First, I would like to address the BSA audit's recommendation areas involving OHS:

Finding 1: The State's two annual exercises have not sufficiently tested the medical and health response systems.

As you know, in 2004, the Governor established the first-ever annual statewide full-scale exercise program. This annual exercise program involves all of the emergency response disciplines, citizen volunteers and multiple jurisdictions. The goal of the Golden Guardian Exercise Series is to build upon the lessons learned from this and subsequent exercises conducted throughout the nation, as well as real-world events. Each year, the Golden Guardian exercise has grown in terms of participants (individual and organizations), complexity, and comprehensiveness. The 2006 Golden Guardian exercise program includes a series of 24 exercises, 36 planning conferences and 4 evaluation conferences that span the 18 month planning and exercise cycle for each annual full-scale exercise.

Participation in Golden Guardian is voluntary and through the exercise planning conferences, participating organizations choose what processes, procedures and capabilities they want reviewed, tested, and exercised. Exercises focus on testing the resources and systems of those participating in the exercise, so casualty numbers are often set to test the local and regional response.

OHS agrees with the BSA report's recommendation that there can be improvements to testing the medical and health response systems. While it was beyond the scope of this audit to review the many comprehensive and robust exercises that are held in California each year at the federal, State, regional, and local levels separate from the Golden Guardian program, it is important to mention the other types of exercises conducted in this State to give you the complete picture of emergency exercise planning activities. In addition, real-life emergencies and responses also effectively serve as "exercises" and mechanisms for improving capabilities and sharing lessons learned. Some of the different types of exercises conducted in this State include, but are not limited to: planning exercises, tabletop exercises, functional exercises and full-scale exercises that can be used to test the medical response capabilities of the private sector and State and local governments. In the context of avian flu preparedness, significant review, planning and exercises have already taken place concerning such a large-scale health event.

We, OHS, the California Office of Emergency Services (OES), the California Department of Health Services (DHS) and the Emergency Medical Services Authority (EMSA), will continue to work closely with our first responder partners to enhance the testing and exercising of the State, regional, local and private sector response capabilities related to our medical and health systems.

Finding 2: OES and OHS have been slow in spending federal grant awards for homeland security.

This finding is misleading. The BSA chose to ignore the fact that every dollar of homeland security funds has been obligated to support the goals and objectives articulated in the State's strategy to combat terrorism. In this report, the term "spend" is used erroneously. "Spend," as

BSA well knows, is an intentionally misleading characterization. The federal grants are done on a reimbursement basis, so balances cannot be drawn from the federal government unless and until a local government has actually purchased, received and paid for equipment, training, exercises, plans, etc. These are also multi-year grants that are intended to be invested over the life of the grant planning cycle (2-3 years). "Spend" in the usual context would mean that they have obligated the money for a specific purpose--all of our grants require local governments to obligate the funds to specific programs and purposes. Even if equipment has been delivered and paid for, the money according to BSA is not "spent" because reimbursement has not yet occurred.

It is not the "State", OES or OHS that is slow in "spending" funds. In the end, over 80% of the funds are allocated to our local government and first responder partners. Our local partners, who have the vast majority of the grant funds, have been slow to "spend" their funds for a variety of reasons, mostly due to slow local government approval processes and complex contracting and procurement requirements. OHS is closely exploring a legislative remedy to expedite these local rules. To the extent possible, we have exercised our administrative powers to speed up the process and make it easier for our local partners to quickly invest and be reimbursed for their homeland security expenditures. We, as opposed to the previous administration, have also been working to get our local partners to take their grant responsibilities seriously and act in a manner consistent with the urgency of our shared mission—a safer, better prepared California. We have done that by, among other things:

- Establishing working groups with local partners to identify ways to streamline the grant process. This has resulted in a new grant work book, new forms, streamlined approval processes and the elimination of redundant reporting and data entry. We will continue to use working groups to find more solutions.
- Started a capability review and enhancement planning process to identify gaps, prioritize investments, and instill multi-year planning so that local entities are better prepared to act when new grant funds become available. We have also started planning for strategic state investment of funds "on behalf of" local units of government where we may need to deobligate funds if they are not timely invested and reimbursement sought under the grant requirements.
- We established a direct order vendor system that allows local units of government to purchase equipment under a master contract that can help speed up the contracting and procurement process. We have also been promoting regional and state purchasing to take advantage of existing contracts and help eliminate each individual unit of government reinventing the wheel by doing the same contracting and procurement process for the same equipment. This also promotes equipment interoperability as everyone is purchasing the same equipment.
- Held over 60 grant workshops and training sessions throughout the state over the last 18 months to help local partners with the onerous federal grant requirements and procedures
- Provided technical assistance to our local partners in applying for grants. Also provided administrative support and filed required reports to US-DHS on behalf of local partners who were not getting them done in a timely way.

- Started on-site monitoring visits to provide assistance, ensure timely investments and verify grant funds are being used for designated and appropriate purposes under the federal grant rules.

OHS has never taken 10.5 months or even 7 months to make allocations to local units of government. This is technical and language manipulation by BSA. In truth and per federal requirements, OHS awarded within 60 days the Homeland Security Grant Program funds to its local partners after receiving its allocation notice from the U.S. Department of Homeland Security (US-DHS). We have allocated more than 80% of the total funds received from US-DHS by this process to our local government and first responder partners. Because we provide quick notice (60 days or less) to our local partners as to what their allocation and available funding is each year, OHS has not slowed their planning or procurement process, contrary to the assertions by BSA. After allocations are made, local units of government must submit a plan on how they intend to invest their grant funds, as required by the federal grants. After those plans are submitted showing that they intend to invest the funds for allowed and appropriate purposes under the grant rules, a formal letter ("Award Letter") is issued, reiterating the previously allocated amount, and legally obligating the funds. That process can take months. It is also important to note that many local agencies report that there is not enough time to plan their investments. It is an incorrect statement that OHS holds money for 7-10 months simply to decide how much our local partners will receive.

Current balances and percentages: Need most current numbers...

Grant Program	Balance	Percentage Drawn Down
Total	397,667,240	48
FY05 HSGP	230,660,081	9
FY04 UASI	80,391,083	43
FY04 HSGP	78,156,909	53
FY03 UASI	21,511,587	65
FY03 SHSGP	15,762,263	90
FY02 SDPGP	0	100
FY01 SDPGP	0	100

The total reimbursement rate for the state is now over 50 percent.

***Finding 3:** To reduce the amount of time necessary to reimburse local entities for their homeland security expenditures, OES and OHS should collaborate to identify steps they can take to improve the timeliness of reimbursements.*

OHS and OES recognize this concern and began collaborating last year to find ways to improve and speed up/streamline the reimbursement process. We also worked with our local partners to identify solutions. These efforts have reduced the backlog of reimbursements requests and shortened the previous reimbursement processing time by months. Just this year, as noted in the report, we have achieved an additional 30% reduction in the State's processing time from an average of 73 days to 50 days and are continuing to work to reduce it even further.

Finding 4: OHS should create a forum for local administrators to share both best practices and concerns with State Administrators.

OHS agrees that close collaboration is required with our local partners, who have been allocated more than 80% of the federal homeland security grant funds. In October of 2005, OHS specifically established a working group of local sub-grantees to assist OHS in streamlining the overall grant process and developing more efficient and easier to use forms and processes. This working group created a new financial management system with improved forms and a grant processing workbook that eliminated redundant data entry, better tracked investments and sped up the reporting and reimbursement process.

In the past year and a half, OHS has sponsored and held more than 60 grant workshops and training sessions across the State related to the homeland security grants. In addition, since just January of this year, OHS held its first annual statewide homeland security conferences (one each for Northern and Southern California), a statewide capability review conference, a statewide infrastructure protection conference along with multiple regional meetings for implementing the Automated Critical Asset Management System (ACAMS), a statewide maritime and transportation conference, seven regional law enforcement meetings and a series of one-on-one meetings with many jurisdictions across the State to address grant related issues, among many other outreach efforts. We will continue the extensive outreach to our local partners by continuing our current working group and workshop efforts and provide additional opportunities for sharing best practices and concerns.

Finding 5: The Governor and Legislature should consider reorganization of the State's emergency preparedness structure.

OHS and the Administration are looking forward to working with law makers in statutorily establishing an agency structure that most effectively protects California.

Finally, I would like to highlight the BSA report's positive findings regarding OHS:

- We were pleased that the audit recognized OHS' effort to meet all four of the federal monitoring guidelines, including on-site grant monitoring. This comprehensive monitoring process has been critical in assessing compliance with federal, state and local guidelines.
- We have worked closely with US-DHS and our sub-grantees to ensure that funds allocated for California homeland security purposes will indeed be spent here in California.

- We were also pleased that the BSA audit also recognized the appropriateness of the homeland security grant allocation process by OHS. Our goal is to ensure homeland security funds are allocated in a way that will ensure we, as a state, are meeting our most critical homeland security priorities. While the BSA did not address some of the specific investments we have made, many of them are worth noting.
 - Further developed and expanded the State Terrorism Threat Assessment Center (STTAC—state information sharing and fusion center) and opened and dedicated the first of four Regional Terrorism Threat Assessment Centers (RTTACs) in Los Angeles. This regional fusion center is the first of its kind in the United States. Construction and build-out is being completed at the three other RTTACs in Sacramento, San Francisco, and San Diego.
 - As a pilot program, California received the first permanent deployment of a US-DHS intelligence analyst to the state or local level. The pilot has been so successful that US-DHS will be expanding this program to all our RTTACs and to other states later this year. California OHS is also deploying its own analysts to serve directly in the US-DHS Intelligence Directorate in Washington, DC.
 - Created a secure, one-stop-shop web-portal, CALJRIES, for law enforcement information sharing, bringing together in a single place reporting from various information sharing partners such as DHS, FBI and other federal agencies.
 - Continued the expansion of the Terrorism Liaison Officer (TLO) program and have trained and certified over 900 law enforcement and first responder professionals as well as state agency officials as part of a five day course that teaches terrorism awareness, investigation, information-sharing and reporting and WMD recognition and response.
 - Initiated a private security guard terrorism awareness training program and ensured this program is linked to the TLO program. Last year, the annual training requirements for licensed security professionals were changed to require four hours of terrorism awareness training. This program has resulted in more than 200,000 security professionals trained in recognizing potential terrorist activities and how to report suspicious incidents.
 - Piloted for US-DHS the creation and deployment of the new Automated Critical Asset Management System (ACAMS) and managed the statewide analysis of critical infrastructure/key resource (CI/KR) information with law enforcement and other first responder personnel.
 - Initiated the Protected Critical Infrastructure Information (PCII) pilot program on behalf of US-DHS and became one the first states to train state and local first responders under this program.
 - Became the first state in the nation to receive a science and technology liaison employed by US-DHS and assigned to work directly in our office on technology and planning issues and to assist in coordination with the federal research labs such as Lawrence Livermore and Sandia.
 - Supported the training of nearly 500,000 California Emergency Responders with over 700 courses being taught by our training partners and funded with homeland security grants since 2003.

- Initiated and implemented the large stadium planning and exercise program for the State's largest stadiums and public gathering places.
- OHS and OES have worked collaboratively to reinvigorate both the California Statewide Interoperability Executive Committee (CALSIEC) and the Public Safety Radio Strategic Planning Committee (PSRSPC) to more effectively address California's interoperability needs. OES and OHS are currently conducting regional CALSIEC meetings across California this month.
- OHS and OES have worked with local jurisdictions and US-DHS to create Tactical Interoperability Communications Plans (TICPs) in all ten of the state's largest urban areas. As part of our homeland security strategy, we are working to expand these tactical interoperability plans to each of the state's 58 operating areas to ensure tactical interoperability in the event of a major incident or emergency.
- In addition to the traditional Federal DHS grant programs, OHS and OES have also worked with local governments and first responders to ensure that the maximum amount of grant funding is received for interoperable communications from other federal funding sources such as the Department of Justice's COPS program, the FEMA Assistance to Firefighters Grant Program (AFGP) and the US-DHS Commercial Equipment Direct Assistance Program (CEDAP).
- Supported the expansion of citizen preparedness activities as part of the First Lady's efforts to recruit and train volunteers and better educate the general public on the need to prepare for emergencies.

Information sharing is vital to the success of our State's homeland security strategy. The information sharing between federal, State, local agencies and other homeland security partners needs to be mutual, robust and seamless. And it is just as critical that we continue to collaborate with and maintain in constant communication with the Legislature. Through hearings such as this, we continue to better serve the people of California by ensuring we are appropriately prepared to respond to and recover from any event that would threaten the stability of our State. I appreciate the dedication your committee members have shown towards furthering and supporting these efforts.

Thank you for your attention this afternoon.